

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  IOWA TELECOMMUNICATIONS SERVICES, INC., d/b/a IOWA TELECOM, AND NORWAY RURAL TELEPHONE COMPANY	DOCKET NO. SPU-02-2
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**ORDER APPROVING JOINT APPLICATION FOR  
DISCONTINUANCE OF SERVICE AND AUTHORIZING  
TRANSFER OF CERTIFICATE**

(Issued March 12, 2002)

On February 13, 2002, Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom (Iowa Telecom), and Norway Rural Telephone Company (Norway) filed with the Utilities Board (Board) a joint application for approval of discontinuance of service and transfer of certificate pursuant to Iowa Code §§ 476.20 and 476.29 (2001). The filing was identified as Docket No. SPU-02-2.

Iowa Telecom is a rate-regulated public utility currently providing local exchange service in 296 exchanges throughout Iowa, pursuant to its certificate of public convenience and necessity, identified as Certificate No. 0217.

Norway is a nonrate-regulated public utility currently providing local exchange service in the Kanawha, Iowa, exchange, pursuant to its certificate of public convenience and necessity, identified as Certificate No. 0096.

Norway has entered into an asset purchase agreement as of November 6, 2001, to acquire the assets of Iowa Telecom to provide local exchange service in the Corwith and Klemme, Iowa, exchanges. The result of this acquisition will be the discontinuance of service by Iowa Telecom and the continuation of service by Norway in those exchanges, except for the local calling plan service currently being offered by Iowa Telecom. Norway has stated that customers in the Corwith and Klemme exchanges will not experience any changes in their local rates.

In addition, Norway has stated it will offer several alternatives to substitute for Iowa Telecom's local calling plans. One alternative is a \$25 per month plan providing 360 minutes of nationwide calling. Another alternative is a \$35 per month plan providing 500 minutes of nationwide calling. Norway has also stated it will provide free extended area service (EAS) to create local calling between the three exchanges. Currently, calls between the three exchanges are toll calls.

Iowa Code § 476.20(1) states that a utility shall not discontinue service unless permission to do so is obtained from the Board. The Board promulgated rules regarding the discontinuance of service incident to a utility property transfer in 199 IAC 7.12. Specifically, 199 IAC 7.12(5) provides that an application made under this rule will be granted if the Board finds that the transferee is ready, willing, and able to provide comparable utility service. The disconnection must also comply with 199 IAC 22.16, which contains no specific standard.

Norway states that it is ready, willing, and able to provide comparable utility service to customers in the Corwith and Klemme exchanges. Norway has also

provided two affidavits in support of this application that affirm Norway is in good financial condition to proceed with the transaction and that it is able to provide the technical and managerial support necessary to provide service in those exchanges.

Based on the information provided, the Board finds that Norway has demonstrated a history of providing local exchange telecommunications service in compliance with the Board's rules and requirements and that it is ready, willing, and able to provide comparable service in the Corwith and Klemme exchanges.

Iowa Code § 476.29(3) provides for the transfer of a local exchange certificate of public convenience and necessity, subject to the Board's approval pursuant to Iowa Code § 476.20(1). The statute also states that for rate-regulated local exchange utilities, such as Iowa Telecom, a transfer of certificates shall be treated by the Board "in the same manner as a reorganization pursuant to sections 476.76 and 476.77." Iowa Code § 476.76 defines reorganization as the sale of any substantial part of the utility's assets. The Board's rules under 199 IAC 32.2 provide that a substantial part of a public utility's assets include assets "with a value in excess of 3 percent of the utility's Iowa jurisdictional utility revenue during the immediately preceding calendar year or \$5 million, whichever is greater."

Iowa Telecom and Norway state that the sale of the Corwith and Klemme exchanges did not exceed \$5 million, which is greater than the 3 percent number. Therefore, the reorganization provisions of Iowa Code §§ 476.76 and 476.77 and 199 IAC 32.8 are not applicable.

The Board will approve the joint request for discontinuance of service by Iowa Telecom in the Corwith and Klemme, Iowa, exchanges pursuant to 199 IAC 7.12 and 22.16 and Iowa Code § 476.20(1) (2001). The Board will also approve the joint request to transfer Iowa Telecom's certificate to serve the Corwith and Klemme exchanges to Norway, pursuant to Iowa Code § 476.29(3) (2001).

Iowa Telecom and Norway will be required to file new service area boundary maps reflecting the transfer of the Corwith and Klemme exchanges, as well as new tariffs, within 30 days of this order. Until those tariffs are approved, service to the Corwith and Klemme exchanges will be provided by Norway under the Iowa Telecom tariff.

In an additional request to the joint application, Iowa Telecom and Norway indicated that a waiver of the study area requirements of the Federal Communications Commission (FCC) will be necessary in connection with this transaction. It has been the FCC's policy not to accept a waiver petition until the state regulatory agency has indicated that it does not object to changes in the study area boundaries. The Board affirmatively states that it does not object to the request that a study area waiver be granted by the FCC.

**IT IS THEREFORE ORDERED:**

1. The joint application for approval of discontinuance of service and transfer of certificate with regard to the Corwith and Klemme, Iowa, exchanges filed February 13, 2002, by Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom,

and Norway Rural Telephone Company is approved to be effective upon the issuance of this order.

2. Norway Rural Telephone Company is directed to file an exchange boundary map showing the addition of the Corwith and Klemme exchanges to its territory, new tariffs in its name, and a statement of 2-PIC dialing parity within 30 days of this order.

3. Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom, is directed to file an exchange boundary map showing the exclusion of the Corwith and Klemme exchanges from its territory within 30 days of this order.

4. The Board affirmatively states that it does not object to the request that a study area waiver be granted by the FCC.

5. Amendments to Certificate Nos. 0217 and 0096 are being issued concurrently with this order.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 12<sup>th</sup> day of March, 2002.